

Chair and members of the committee, my name is Scott Skokos and I am here on behalf of Dakota Resource Council. I stand here today in support of HB 1054.

Dakota Resource Council is a statewide, grassroots organization with more than 650 members statewide. Dakota Resource Council was founded over 40 years ago by landowners working to ensure energy industries did not compromise their rural way of life. Many of our current members live close to oil wells and other energy sources and are personally impacted by oil wells that are not reclaimed in a timely manner. We support this bill because it gives the Industrial Commission the clear ability to further protect landowners (like DRC members) and North Dakota taxpayers from having to deal with the impacts and costs of reclaiming abandoned oil and gas wells.

This proposed change gives the Industrial Commission the authority to require companies to place their abandoned wells on a single well bond equal to the cost of plugging and reclaiming. This change, if implemented, helps reduce the possibility that a well would have insufficient money to be reclaimed. This is important because in the case that there is not sufficient money, via a bond, to reclaim an abandoned oil well, the cost of plugging and reclamation then falls onto the state and by the transitive property the taxpayer.

Under the current situation companies are allowed to operate with a statewide blanket bond that covers all of their wells in North Dakota. The blanket bond in North Dakota for a single company is currently \$100,000, which is insufficient in some cases

to reclaim several oil wells. Theoretically, if a company that holds a blanket bond has 100 wells and goes bankrupt and decides to abandon all of its 100 North Dakota wells, then only \$1000 per well would be available for plugging and reclamation. In some extreme instances oil wells can cost over \$100,000 to plug and reclaim. As a result, requiring abandoned wells to be put on a single well bond equal to the plugging and reclamation costs, in our view, is the only way to ensure plugging and reclamation costs are entirely covered by an operator.

A 2020 report by the Western Organization of Resource Councils specifically recommends that regulators place all oil and gas wells on single well bonds to remove the potential liability of blanket bonds¹. In our view, the changes to law in HB 1054 gets North Dakota closer to that goal. In addition, we hope that if HB 1054 is passed, that the Industrial Commission will take swift action to ensure all abandoned wells are placed immediately on a single-well bonds in the amount equal to the cost of plugging the well and reclaiming the well site,” as stated ND Century Code subsection 1 a 12 of section 38-08-04.

In summary, we support the changes made in this bill because they provide further protections to ensure plugging and reclamation costs are covered by operators and not the taxpayer. Thank you for the opportunity to speak regarding this bill. DRC urges the passage of this HB 1054.

¹ <http://www.worc.org/media/2020.04-Oil-and-Gas-Bonding-Federal-vs-State-sm2.pdf>

Testimony of Dakota Resource Council
House Bill 1054
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